Hearing Date and Time: December 14, 2011 at 10:00 a.m. (Prevailing Eastern Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	**Chapter 11 Case No.**
	:	
LEHMAN BROTHERS HOLDINGS INC., et al.,	:	**08-13555 (JMP)**
	:	
Debtors.	:	**(Jointly Administered)**

STATEMENT OF THE AD HOC GROUP OF LEHMAN BROTHERS CREDITORS IN SUPPORT OF DEBTORS' MOTION PURSUANT TO SECTIONS 105 AND 363 OF THE BANKRUPTCY CODE FOR AUTHORIZATION TO MONETIZE EQUITY INTERESTS IN NEUBERGER BERMAN GROUP LLC

TO THE HONORABLE JAMES M. PECK,
UNITED STATES BANKRUPTCY JUDGE:

The Ad Hoc Group of Lehman Brothers Creditors (the "Group"), by and through its undersigned counsel, hereby files this statement (the "Statement") in support of the Debtors' Motion Pursuant to Sections 105 and 363 of the Bankruptcy Code for Authorization to Monetize Equity Interests in Neuberger Berman Group LLC (the "Motion") [Docket No. 21254], filed on November 9, 2011, in the above-referenced chapter 11 cases (the "Chapter 11 Cases") by Lehman Brothers Holdings Inc. ("LBHI") and its affiliated debtors (collectively, the "Debtors"). In support of the Motion and its Statement, the Group respectfully represents as follows:

STATEMENT

1. In May 2009, LBHI and certain of its non-Debtor affiliates – i.e., the Sellers – agreed to sell Lehman's investment management business, including the Neuberger Berman fund unit, to its managers.[1] Pursuant to the transaction, Sellers were issued 93% (or approximately $814 million in face value) of the total preferred equity issued and outstanding in NBG – i.e., the Preferred Interests – and common equity representing approximately 49% of the total common equity issued and outstanding in NBG – i.e., the Common Interests. (Motion ¶¶ 1, 11.) Without question, the Equity Interests are one of the Debtors' most significant remaining assets. By the Motion, the Debtors seek to monetize the Equity Interests in NBG on the terms and subject to the conditions outlined in the Term Sheet. After reviewing the Term Sheet, the Group had substantial concerns as to the adequacy of the consideration to be provided.

2. The Group has worked with the Debtors and NBG (as well as certain other parties) over the past several weeks to address these concerns. As a consequence of these efforts, the terms of the proposed transaction for the Sellers, including LBHI, have been materially improved as reflected in the amended Term Sheet [Docket No. 23169] filed by the Debtors. The key amendments include, among others, the following:

Term	Amendment	Benefit to the Debtors
Redemption of Preferred Interests	The Preferred Interests shall be redeemed at par plus accrued preferred return and, in addition, NBG shall also pay a return to Sellers in the amount of 2.5% of the par value outstanding as of December 1, 2011 – i.e., $20.3 million. (See Amended Term Sheet ¶ 2(a).)	The original Term Sheet did not provide for the additional 2.5% return on the Preferred Interests. Accordingly, this amendment results in an approximate $20.3 million improvement for Sellers.

[1] Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion.

Rate of Annual Return on Preferred Interests	The term that provides for the reset, as of January 1, 2011, of the return on the Preferred Interests to the implied effective weighted average cost of the New Debt shall be deleted. (See Original Term Sheet ¶ 3.)	The current return on the Preferred Interests is an annual 10.0%. Assuming that NBG could obtain the New Debt at an annual 6.0% rate and that the closing would occur on February 29, 2012, this leads to a savings for the Sellers of approximately an annualized 4.0% on the Preferred Interests over fourteen months. Accordingly, this amendment results in an approximate $38 million improvement for Sellers.
Specified Discount	The discount to be applied by the valuation agents when determining the purchase price of the Common Interests – i.e., the Specified Discount – shall be reduced from 20% to 17.5%. (See Amended Term Sheet ¶ 5(c).)	Given that the Debtors expected the sale of the Common Interests to yield approximately $300 million to $450 million of proceeds when applying a 20% discount, they should expect such sale to yield approximately $309 million to $464 million of proceeds when applying a 17.5% discount. Accordingly, this amendment results in an approximate $9 million to $14 million improvement for the Sellers.

Based on these easily quantified changes alone, the transaction has improved by approximately $70 million in the Debtors' favor. Moreover, certain changes have been made to improve the overall structure of the transaction for the Debtors, including, among others, that (i) the "Closing Cap" referenced in Paragraph 2(c) of the Term Sheet will be reduced from 20% to 10%, thereby reducing NBG's upfront option with respect to the Common Interests, (ii) the budget used for valuing NBG and determining the price of the Common Interests will require the approval of the independent members of NBG's board of directors, (iii) NBG will only be able to incur debt to finance the purchase of 50% of the Common Interests purchased at closing, (iv) the Sellers' registration rights referenced in Paragraph 10(d) of the Term Sheet shall be triggered at the end of 2016 instead of 2017, (v) the Sellers shall have pro rata tag along rights if NBG sells common interests or any other equity linked instrument to a third party to transfer their Common Interests to such third party at the same implied price, and (vi) NBG shall periodically provide summary financial information to LBHI, which information LBHI will be permitted to publicly disclose in

its own reporting as segment information. While the benefits of these amendments are not as easily quantified as the amendments previously mentioned, the Group believes that they may add an additional $10 million to $30 million of value for the Debtors and their creditors.

3. The Group appreciates the Debtors cooperation in seeking to improve materially the proposed transaction. As amended, the Group supports approval of the Motion.

WHEREFORE, for the foregoing reasons, the Group supports the relief set forth in the Motion, subject to the agreed upon modifications in the Term Sheet.

Dated: December 12, 2011
New York, New York

Respectfully submitted,

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